

# Press release

30 January 2025

## Monetary policy decisions

The Governing Council today decided to lower the three key ECB interest rates by 25 basis points. In particular, the decision to lower the deposit facility rate – the rate through which the Governing Council steers the monetary policy stance – is based on its updated assessment of the inflation outlook, the dynamics of underlying inflation and the strength of monetary policy transmission.

The disinflation process is well on track. Inflation has continued to develop broadly in line with the staff projections and is set to return to the Governing Council's 2% medium-term target in the course of this year. Most measures of underlying inflation suggest that inflation will settle at around the target on a sustained basis. Domestic inflation remains high, mostly because wages and prices in certain sectors are still adjusting to the past inflation surge with a substantial delay. But wage growth is moderating as expected, and profits are partially buffering the impact on inflation.

The Governing Council's recent interest rate cuts are gradually making new borrowing less expensive for firms and households. At the same time, financing conditions continue to be tight, also because monetary policy remains restrictive and past interest rate hikes are still transmitting to the stock of credit, with some maturing loans being rolled over at higher rates. The economy is still facing headwinds but rising real incomes and the gradually fading effects of restrictive monetary policy should support a pick-up in demand over time.

The Governing Council is determined to ensure that inflation stabilises sustainably at its 2% medium-term target. It will follow a data-dependent and meeting-by-meeting approach to determining the appropriate monetary policy stance. In particular, the Governing Council's interest rate decisions will be based on its assessment of the inflation outlook in light of the incoming economic and financial data, the dynamics of underlying inflation and the strength of monetary policy transmission. The Governing Council is not pre-committing to a particular rate path.

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## Key ECB interest rates

The Governing Council today decided to lower the three key ECB interest rates by 25 basis points. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will be decreased to 2.75%, 2.90% and 3.15% respectively, with effect from 5 February 2025.

## Asset purchase programme (APP) and pandemic emergency purchase programme (PEPP)

The APP and PEPP portfolios are declining at a measured and predictable pace, as the Eurosystem no longer reinvests the principal payments from maturing securities.

## Refinancing operations

On 18 December 2024 banks repaid the remaining amounts borrowed under the targeted longer-term refinancing operations, thus concluding this part of the balance sheet normalisation process.

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The Governing Council stands ready to adjust all of its instruments within its mandate to ensure that inflation stabilises sustainably at its 2% target over the medium term and to preserve the smooth functioning of monetary policy transmission. Moreover, the Transmission Protection Instrument is available to counter unwarranted, disorderly market dynamics that pose a serious threat to the transmission of monetary policy across all euro area countries, thus allowing the Governing Council to more effectively deliver on its price stability mandate.

The President of the ECB will comment on the considerations underlying these decisions at a press conference starting at 14:45 CET today.

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